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STADIS/////////////////////////////////
FOR ASSISTANT SECRETARY MOOSE

E.O. 11652: GDS

TAGS: ECON, EFIN, EMIN, CG

SUBJECT: ZAIRE CENTRAL BANK GOVERNOR VISIT TO WASHINGTON

REF: (A) STATE 217674 (NOTAL); (B) STATE 215023 (NOTAL)

1. SUMMARY: CENTRAL BANK GOVERNOR BOFOSSA OF ZAIRE
VISITED WASHINGTON AUGUST 13-16 FOR DISCUSSIONS WITH IMF
ON A NEW STABILIZATION PROGRAM. HE ALSO MET WITH IBRD
PRESIDENT MCNAMARA, UNDER SECRETARY COOPER; AF ASSISTANT
SECRETARY MOOSE; TREASURY ASSISTANT SECRETARY BERGSTEN;
EXIMBANK CHAIRMAN MOORE; AND EB DEPUTY ASSISTANT SECRETARY
MEISSNER. PROGRESS WAS APPARENTLY MADE IN NEGOTIATIONS
WITH IMF AND THERE WAS USEFUL AND FRANK EXCHANGE OF VIEWS
ON MAJOR ELEMENTS OF ZAIRE'S ECONOMIC RECOVERY AND REFORM
SCENARIO. END SUMMARY
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2. IMF AGREEMENT. BOFOSSA ENVISAGED A STABILIZATION
PROGRAM WHICH WOULD GO BEYOND THE ESTABLISHMENT OF FINAN-
CIAL AND MONETARY TARGETS AND AIM AT THE RECOVERY OF THE
ZAIRIAN ECONOMY, PARTICULARLY THE MANUFACTURING AND
AGRICULTURAL SECTORS. IMF WILL SEND MISSION TO ZAIRE IN
SEPTEMBER TO CONTINUE DISCUSSIONS. IMF DOES NOT SHARE

BOFOSSA'S OPTIMISM THAT AN AGREEMENT CAN BE OPERATIVE BEFORE OCTOBER BRUSSELS MEETING.

3. OFFICIAL AND PRIVATE DEBTS. ONCE A STABILIZATION PROGRAM IS INPLACE, THE GOZ INTENDS TO APPROACH PRIVATE AND OFFICIAL CREDITORS ON DEBT RELIEF. BOFOSSA PROPOSED THAT PARIS CLUB RESCHEDULE ZAIRE'S OFFICIAL DEBTS OVER A LONGER PERIOD OF THREE TO FIVE YEARS RATHER THAN ON THE CURRENT ANNUAL BASIS. HE WAS GENERALLY DISCOURAGED ON THIS LINE. ON THE PRIVATE BANK LOAN OF \$220 MILLION, BOFOSSA SAID THAT ZAIRE AND CITIBANK WERE AT A STANDSTILL. AS THE LOAN IS PRESENTLY SET UP, ZAIRE WOULD HAVE TO PAY \$196 MILLION IN ORDER TO RECEIVE \$220 MILLION. AS THE BIS BLOCKED ACCOUNT IN BASEL AMOUNTED TO ONLY ABOUT \$90 MILLION, THE GOZ WOULD HAVE TO COME UP WITH AROUND \$100 MILLION TO ACTIVATE THE LOAN, WHICH WOULD BE EXTREMELY DIFFICULT IN ITS PRESENT CIRCUMSTANCES. ZAIRE HAS THEREFORE ASKED CITIBANK FOR REFINANCING AS AN ALTERNATIVE, AND CITIBANK IS CONSULTING ITS CONSORTIUM. BOFOSSA EMPHASIZED HIS INTENTION TO SEEK TERMS FROM THE PRIVATE BANKS WHICH WERE COMPARABLE TO THOSE ACCORDED ZAIRE BY THE OFFICIAL CREDITORS.

4. GECAMINES. BOFOSSA SAID THAT FOR GECAMINES TO RETURN TO PRE-KOLWEZI PRODUCTION LEVELS AND TO SUSTAIN THIS OUTPUT WOULD DEPEND UPON THE RETURN OF EXPATRIATE
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PERSONNEL AND SOME \$380 MILLION IN EXTERNAL ASSISTANCE OVER THE NEXT THREE YEARS. INDEED, THE WORLD BANK WAS MAKING ANY FUTURE ASSISTANCE TO GECAMINES CONTINGENT UPON THE RETURN OF QUALIFIED TECHNICIANS. HOWEVER, ZAIRE WOULD BE VERY SELECTIVE AND ONLY RETURN THE BEST AND MOST ESSENTIAL WORKERS. IBRD PLANS TO SEND AN EVALUATION TEAM TO ZAIRE IN SEPTEMBER. EXIMBANK OFFICIALS TOLD BOFOSSA THERE WAS NO CHANCE FOR THE RE-OPENING OF THE \$20 MILLION LOAN/GUARANTEE TO GECAMINES WHICH WAS AUTHORIZED BUT NEVER MADE OPERATIVE DUE TO ZAIRIAN DELINQUENCIES.

5. REFORMS. BOFOSSA REVIEWED PROGRESS ON ECONOMIC MANAGEMENT REFORMS, INCLUDING THOSE TO ENSURE RATIONAL BUDGET AND FOREIGN EXCHANGE ALLOCATION SUCH AS PLACING CEILINGS ON GOVERNMENT SALARIES AND MEASURES TO ENSURE FULL REPATRIATION OF EXPORT RECEIPTS; GRADUAL ELIMINATION OF TRADE ARREARAGES ABROAD TO HELP RESTORE ZAIRE'S CREDITWORTHINESS; AND RESTRICTION OF IMPORTS TO URGENT NEEDS SUCH AS FOODSTUFFS, MEDICINES AND SPARE PARTS. BOFOSSA REPORTED THE ARRIVAL IN ZAIRE AUGUST 14 OF THE NEW IMF PRINCIPAL DIRECTOR OF THE CENTRAL BANK, ERWIN

BLUMENTHAL, AND OTHER FOREIGN EXPERTS, WITH THREE OTHERS
TO FOLLOW IN SEPTEMBER. THERE WAS LESS PROGRESS TO REPORT

ON PLANS TO PLACE FRENCH AND BELGIAN SPECIALISTS IN
THE FINANCE MINISTRY AND CUSTOMS. BOFOSSA SAID THAT THE
GOZ HAD VIEWED THE USG DECISION TO RELEASE \$18 MILLION
IN PL-480 TITLE I AND \$8 MILLION IN SSA TO ZAIRE AS A
GESTURE IN ACKNOWLEDGMENT OF REFORMS UNDERTAKEN IN THE
SHORT TERM. USG REPS EMPHASIZED THE NEED FOR CONTINUED

PROGRESS ON REFORMS, AND BOFOSSA EXPRESSED HIS RECOGNI-
TION THAT OUR ASSISTANCE AND THAT OF OTHER MAJOR DONORS
DEPENDED ON FURTHER REFORMS. CHRISTOPHER

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